GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3583
ANSWERED ON:23.12.2008
CII SURVEY ON COST AND RATE OF INTEREST
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether as per the survey conducted by Confederation of Indian Industries (CII) recently, projects are likely to be affected due to the increase in cost and rate of interest ;

(b) if so, the details thereof;

(c) whether the Government proposes to allocate funds separately for the cost escalation in the current scenario;

(d) if so, the details thereof;

(e) the present norms and rules regarding bearing the additional cost due to the cost escalation; and

(f) if so, the details of corrective steps taken in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b) : According to the CII survey, the Infrastructure companies/developers expect an increase in cost due to increase in interest rate and other inputs.

(c) to (f): The Government has taken several steps for lowering the cost of inputs by rationalization and reduction in duty rates of customs and central excise, better access to inputs at competitive prices through liberal foreign trade regime etc. The Government has also announced a major package for infrastructure financing on 7th December, 2008 by authorizing India Infrastructure Financing Company Ltd. (IFCL) to raise Rs. 10,000 crore through tax free bonds in the current year for lending to eligible infrastructure projects. In addition, the Reserve Bank of India (RBI) has recently taken a number of steps to reduce the cost of credit and improve liquidity for industry by reducing Repo rate, Statutory Liquidity Ratio (SLR), and Cash Reserve Ratio (CRR) etc.